

**BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO**

In the Matter of the Protest of	)	
	)	DOCKET NO. 18376
[REDACTED]	)	
Petitioners.	)	DECISION
	)	
	)	

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This case arises from a timely protest of a State Tax Commission staff (staff) decision adjusting property tax reduction benefits for 2004. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the contents of that file.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals throughout the state. The benefit is in the form of a payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioners) filed an application for the property tax reduction benefit with Canyon County on or about January 28, 2004. In that application, the petitioners listed their Social Security, \$1,056.90 of other income, and \$13,708 of medical expenses. Pursuant to Idaho Code § 63-707, the Tax Commission reviewed the petitioners' application and compared it with Tax Commission records. Federal adjusted gross income of \$3,842 was identified as not listed in the application and a portion of claimed medical expenses did not include receipts.

The staff determined the additional income and denial of unsubstantiated medical expenses

would result in a total net income that exceeded the amount allowed for a minimum benefit. The petitioners were sent a notice to advise them of the intent to deny their 2004 application for property tax reduction. The petitioners appealed and their file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefit purposes is defined in Idaho Code § 63-701(5) as follows:

(5) "Income" means the sum of **federal adjusted gross income** as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, and to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, **all payments received under the federal social security act** except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It **does not include** capital gains, gifts from nongovernmental sources or inheritances. To the extent not reimbursed, the **cost of medical care as defined in section 213(d) of the Internal Revenue Code**, incurred or paid by the claimant and, if married, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does

not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). **Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission in such form as the county assessor, board of equalization or state tax commission shall determine.** "Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed. Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W-2 and 1099.

For property tax reduction benefits purposes, the calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. In response to a letter advising the petitioners of their appeal rights, the petitioners sent additional receipts to establish a 2003 medical expense deduction of \$16,562.

When the federal adjusted gross income shown in the 2003 Idaho individual income tax return on file at the Tax Commission is added to the other income reported in the application and the allowable medical expenses are deducted, the petitioners' total net income for the purpose of determining their property tax reduction benefit is \$16,404. They qualify to receive a benefit in an amount not to exceed \$540 rather than the \$630 benefit amount shown in the original application.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the applicant for property tax reduction. The proper jurisdiction to handle such hardship situations falls with the Canyon County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Benefits letter dated October 4, 2004, is hereby MODIFIED and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

IDAHO STATE TAX COMMISSION

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COMMISSIONER

#### CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this \_\_\_\_\_ day of \_\_\_\_\_, 2004, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]

[REDACTED]

[Redacted]

[Redacted]

[REDACTED]

[Redacted]

[Redacted]